

Statistical bulletin

Construction output price indices (OPIs): October to December 2017

A summary of the construction output price indices (OPIs) for Quarter 4 (October to December) 2017. Data in this release are Experimental Statistics.

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1 . Main points

- The Construction Output Price Index (OPI) for all construction rose 2.6% in the year to December 2017, up from 2.2% in November 2017.
- The OPI for all new work increased 3.2% in the year to December 2017, up from 2.5% in the year to November 2017.
- Prices increased in the year to December 2017 for all work types within new work; housing showed the largest movement, with an increase of 3.9%.
- The OPI for all repair and maintenance increased 1.6% in the year to December 2017, unchanged from November 2017; the housing repair and maintenance sector showed the largest increase, up 1.8% over the period.
- From April 2018, publication of these figures will move from Tuesday to Wednesday; the [new release dates](#) are available.

2 . Things you need to know about this release

On 15 June 2017 the National Statistician announced that routine pre-release access to Office for National Statistics (ONS) statistics would end from 1 July 2017. Following this, we have considered the dates of our publications to ensure that they continue to meet user needs. From April 2018, the prices theme day, which encompasses consumer prices, business prices and house prices, will move from a Tuesday to a Wednesday. Alongside this, labour market theme day will move from a Wednesday to a Tuesday. The [new release dates and further explanation of the reasons for these changes](#) are available in a separate article.

Due to the improvements made to the construction output price indices publication in Quarter 3 (July to Sept) 2017, this publication is now a statistical bulletin. [Previous releases](#) prior to this were published as articles.

Since taking responsibility for the Construction Price and Cost Indices (CPCIs) on 1 April 2015, Office for National Statistics (ONS) has developed the Construction Output Price Indices (OPIs). The indices use our existing data sources, all of which are [National Statistics](#), so that users can be assured of the quality of the source data.

The results for the OPIs were published for the first time on 12 June 2015. This bulletin provides a quarterly update to these results and includes data to December 2017.

Improvements to the OPIs were made in September 2017 and have been published in the article [Construction development: impact of improvements to construction statistics](#).

Weights that were previously used to aggregate the new work, repair and maintenance and all construction indices were last updated in 2015. To ensure that data are as accurate as possible, these weights will be updated annually in the future.

Prior to the Quarter 3 (July to Sept) 2017 release, the OPIs were calculated on a base year of 2010 (2010= 100). As of the Quarter 3 2017 release, the base year has been updated to 2015 (2015=100).

In addition, there were further improvements implemented in the Quarter 3 2017 release. An impact assessment of the improvements has been conducted and is published in [section 7](#) of this release.

As a result of the changes, although further improvements are still planned, we no longer consider the OPIs to be an interim method.

Further details on these improvements can be found in section 5 of the [construction development](#) article released on 29 September 2017.

3 . All construction price inflation

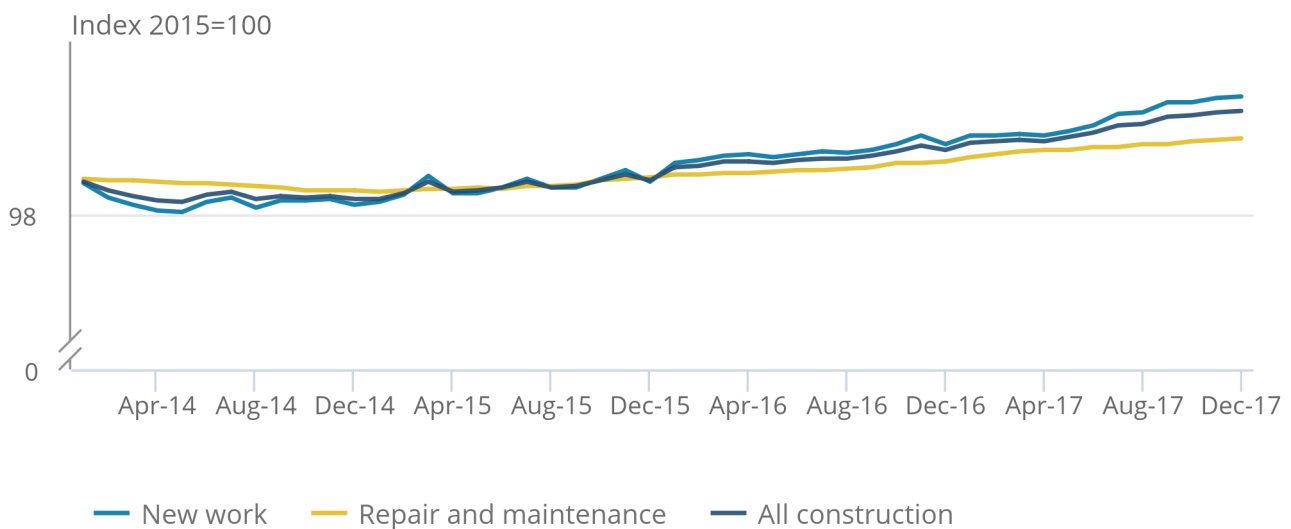
Overall, prices in the construction industry, as estimated by the Construction Output Price Index (OPI), rose 4.9% between January 2014 and December 2017 (Figure 1). The peaks and troughs seen within the new work index between January 2014 and December 2017 are mostly the result of the movements within the earnings component of the OPI, which is sourced from the Average Weekly Earnings (AWE) index for construction.

Figure 1: Construction output price indices, UK

January 2014 to December 2017

Figure 1: Construction output price indices, UK

January 2014 to December 2017



Source: Office for National Statistics

The annual rate of inflation for all construction was 2.6% in December 2017 (Table 1). Annual growth for new work was 3.2% in December 2017, up from 2.5% in November 2017. This is the joint highest rate of annual inflation we have seen since the OPI began in January 2014. Annual growth for repair and maintenance was 1.6% in December 2017, unchanged from November 2017. Annual growth rates for the three main construction OPIs have all remained positive since September 2015 (Figure 2).

Table 1: Construction output price, index values, growth rates and percentage points change to the 12 - month rate, UK, December 2016 to December 2017

	All Construction					New work					
	OPI Index (2015=100)	1- month rate	12- month rate	Change in the 12- month rate (percentage points)	OPI Index (2015=100)	1- month rate	12- month rate	Change in the 12- month rate (percentage points)	OPI Index (2015=100)	1- month rate	12- month rate
2016											
Dec	102.5	-0.3	2.1	0.1	102.9	-0.6	2.6	0.2	101.7	0.1	1.1
2017											
Jan	103.0	0.5	1.7	-0.4	103.5	0.6	1.9	-0.7	102.0	0.3	1.2
Feb	103.1	0.1	1.7	0.0	103.5	0.0	1.7	-0.2	102.2	0.2	1.4
Mar	103.2	0.1	1.5	-0.2	103.6	0.1	1.5	-0.2	102.4	0.2	1.5
Apr	103.1	-0.1	1.4	-0.1	103.5	-0.1	1.3	-0.2	102.5	0.1	1.6
May	103.4	0.3	1.8	0.4	103.8	0.3	1.8	0.5	102.5	0.0	1.5
Jun	103.7	0.3	1.9	0.1	104.2	0.4	2.0	0.2	102.7	0.2	1.6
Jul	104.2	0.5	2.3	0.4	105.0	0.8	2.5	0.5	102.7	0.0	1.6
Aug	104.3	0.1	2.4	0.1	105.1	0.1	2.7	0.2	102.9	0.2	1.7
Sep	104.8	0.5	2.6	0.2	105.8	0.7	3.2	0.5	102.9	0.0	1.6
Oct	104.9	0.1	2.4	-0.2	105.8	0.0	2.8	-0.4	103.1	0.2	1.5
Nov	105.1	0.2	2.2	-0.2	106.1	0.3	2.5	-0.3	103.2	0.1	1.6
Dec	105.2	0.1	2.6	0.4	106.2	0.1	3.2	0.7	103.3	0.1	1.6

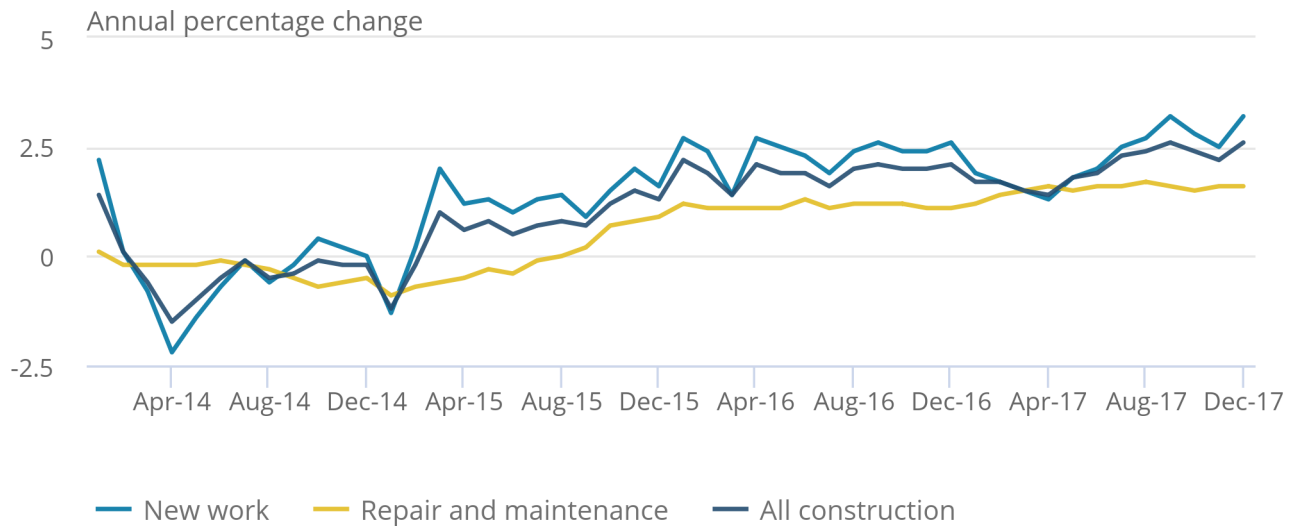
Source: Office for National Statistics

Figure 2: Construction output price annual percentage change, UK

January 2014 to December 2017

Figure 2: Construction output price annual percentage change, UK

January 2014 to December 2017



Source: Office for National Statistics

4 . The annual rate of inflation for new work increased to its joint peak rate in December 2017

The Construction Output Price Index (OPI) for new construction work increased 3.2% on the year to December 2017 (Table 2). This increase was a result of strong annual growth in output prices across all sectors. Housing showed the largest annual increase at 3.9%, slightly up from 3.8% in November 2017. Despite positive growth on the annual rate for all work types, prices remained flat on the month for housing, infrastructure and private industrial.

Table 2: New work output price indices, growth rates, December 2017

UK

New Work				
	OPI Index	1- month	12- month	Change in the 12-month rate
	(2015=100)	rate	rate (percentage points)	
Housing (public and private)	108.1	0.0	3.9	0.1
Infrastructure	102.4	0.0	2.2	0.6
Public (other than housing)	106.0	0.1	2.8	1.0
Private Industrial	108.4	0.0	3.3	0.6
Private Commercial	106.0	0.1	2.8	1.0
All New Work	106.2	0.1	3.2	0.7

Source: Office for National Statistics

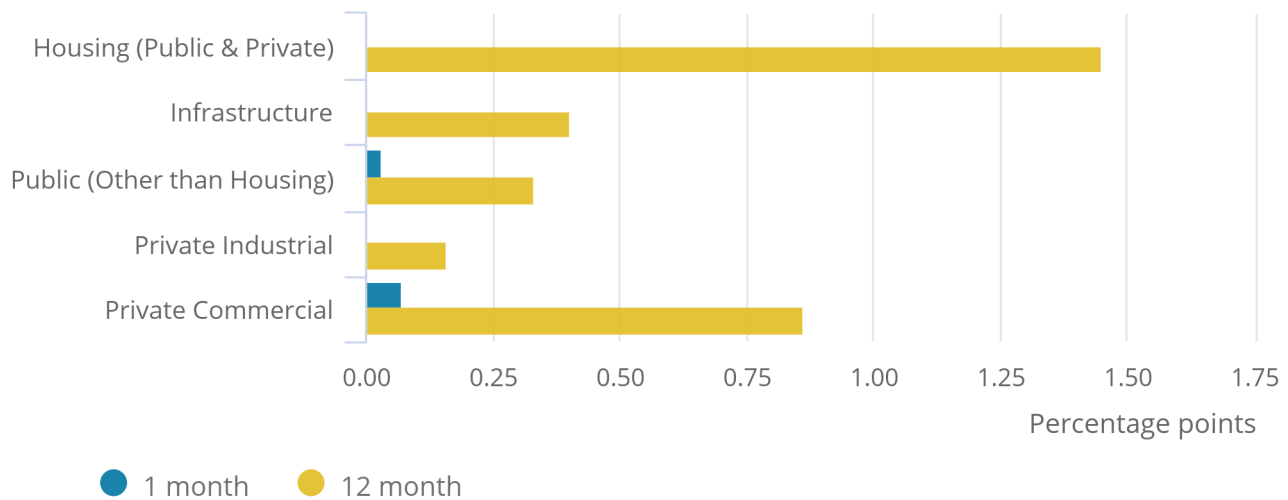
Housing also provided the largest upward contribution to the new work annual rate in December 2017, at 1.45 percentage points (Figure 3). All work types provided a positive contribution to the annual rate, whilst private commercial and public (other than housing) provided the only positive contributions to the monthly rate.

Figure 3: New work output price indices, contribution to 1-month and 12-month growth rate, UK

December 2017

Figure 3: New work output price indices, contribution to 1-month and 12-month growth rate, UK

December 2017



Source: Office for National Statistics

Notes:

1. Contributions to the rate may not add up to the rate exactly due to rounding.

5 . The annual rate of inflation for repair and maintenance remained steady at 1.6%

The Construction Output Price Index (OPI) for all repair and maintenance increased 1.6% in the year to December 2017, unchanged from November 2017 (Table 3). Housing repair and maintenance showed the largest annual increase of 1.8%, up from 1.7% in November 2017.

Table 3: Repair and Maintenance output price indices, growth rates, December 2017

UK

Repair and Maintenance				
	OPI Index	1- month	12- month	Change in the 12-month rate
	(2015=100)	rate	rate (percentage points)	
Housing R and M	103.4	0.1	1.8	0.1
Non-housing R and M	103.2	0.0	1.4	-0.1
All Repair and Maintenance	103.3	0.1	1.6	0.0

Source: Office for National Statistics

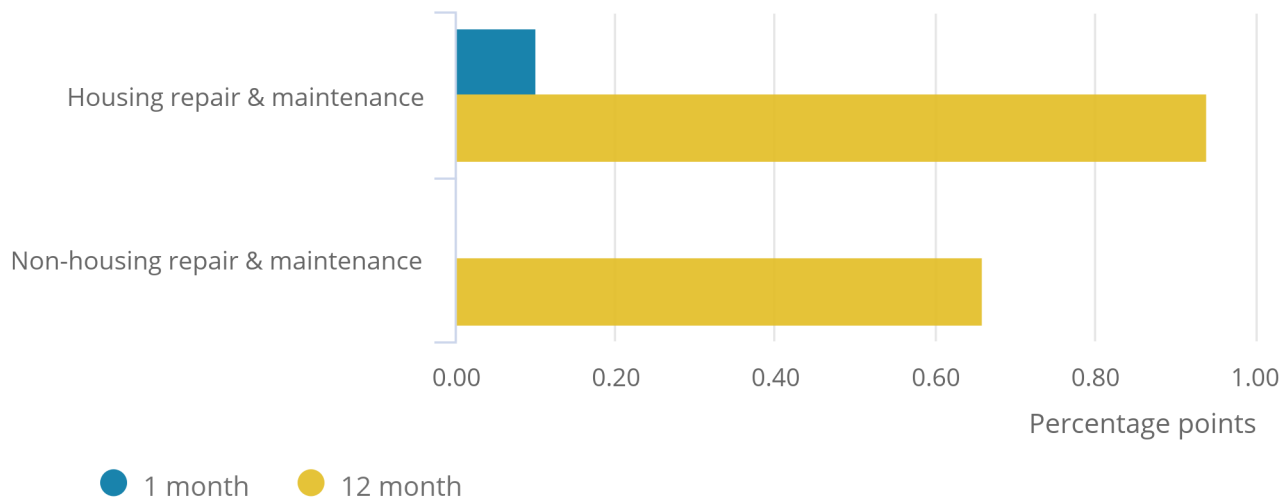
Housing repair and maintenance provided the largest upward contribution to the repair and maintenance annual rate, at 0.94 percentage points (Figure 4) and provided a small contribution on the month, at 0.10 percentage points. Non-housing repair and maintenance had no contribution on the month.

Figure 4: Repair and maintenance output price indices, contribution to 1-month and 12-month growth rate, UK

December 2017

Figure 4: Repair and maintenance output price indices, contribution to 1-month and 12-month growth rate, UK

December 2017



Source: Office for National Statistics

Notes:

1. Contributions to the rate may not add up to the rate exactly due to rounding.

6 . Quality and methodology

Use within ONS

These Construction Output Price Indices (OPIs) were used to deflate [Output in the construction industry](#) for the first time in the April 2015 release, published on 12 June 2015. Further details on the [impact of using these indices](#) (PDF, 215KB) have been published in a separate article.

More recently, information on the impact of further improvements implemented in the Quarter 3 (July to Sept) 2017 release, including the impact of rebasing and the addition of annual updates to weights, are highlighted in [section 7 of the Quarter 3 2017 bulletin](#).

Linking to previous series

The [Construction Price and Cost Indices \(CPCIs\)](#) were previously published by the Department for Business, Innovation and Skills (BIS), now known as Department for Business, Energy and Industrial Strategy (BEIS), and were published for the last time in September 2014, with the release suspended in December 2014. [Responsibility for these statistics transferred to us on 1 April 2015](#), as previously announced. Since then these indices have been published as the Construction Output Price Index (OPI).

Users wishing to link the BIS CPCIs (prior to 2014) and our new construction OPIs (from 2014 onwards) to create longer-running time series, have many options. One approach would be to use a linking factor (based on a common time period). For example, for users who are using the BIS (2005=100) indices in long-term contracts and wish to extend the series beyond Quarter 2 (Apr to June) 2014 (the last quarter for which CPI data are available), the following approach would be suitable.

To do this, select the nearest equivalent index published in the OPI (2005=100) series and then calculate a linking factor as follows:

$$\text{Linking factor} = \frac{\text{Index Value}_{BIS2005=100, \text{Quarter 1 (Jan to Mar) 2014}}}{\text{Index Value}_{ONS2005=100, \text{March 2014 for nearest equivalent index}}}$$

Then multiply the Office for National Statistics (ONS) (2005=100) index values beyond March 2014 by this linking factor to extend the BIS (2005=100) time series.

The same principle can be used to extend the ONS (2005=100) series, which was published for the last time in the [August 2017 release](#), to the 2015=100 series, which will be published from Quarter 3 2017 onwards.

Further [guidance on using indices in indexation clauses](#) (PDF, 197KB) is also available.

De-designation as National Statistics

The Construction Price and Cost Indices were [de-designated as National Statistics](#) (PDF, 128KB) in December 2014, after their suspension, as detailed in a letter from Ed Humpherson, Director General for Regulation.

Experimental Statistics

These statistics have been published on an [experimental](#) basis to involve users in their development. As a result, improvements to methods may result in revisions to the series. Full details of any revisions will be released alongside the revised data.

Revisions policy

The construction OPIs are dependent on the [revisions policies](#) associated with their component series. For routine revisions, such as inclusion of late respondent data and monthly re-estimation of seasonal adjustment factors, the construction OPIs will be open to revisions for a period of five months, in line with Producer Price Indices (PPI), its main component.

Non-routine revisions may also occur, for example, as a result of reviews and updates of methodologies of component series. When historic changes to component series arise, their impact on the construction OPI series will be assessed and any changes highlighted to users.